

Under current law, cities and villages may use tax incremental financing (TIF) to pay for infrastructure improvements in tax incremental districts (TIDs). Cities, villages and towns also are permitted to create an environmental remediation (ER) TID. When a TID is created, the Department of Revenue (DOR) certifies its base value and the property taxes levied by any taxing jurisdiction on the value increment in excess of that base is used to finance infrastructure improvements in the TID. SB 305, as amended, makes the following changes to TIF law:

- * Limits the equalized value of the proposed TID plus the value increments of all existing TIDs to 12% of a municipality's total value; under current law, this percentage is 5%. The bill eliminates an alternative restriction that provides that the equalized value of a proposed TID plus the value of all existing TIDs (base value plus increments) may not exceed 7% of the municipality's total value.

- * Permits a mixed-use TID if 50% of the land is suitable for a combination of industrial, commercial or residential development, so long as no more than 35% of the proposed TID area is for newly-platted residential use. Current law allows only for the creation of a TID if 50% of the land is blighted, in need of rehabilitation or suitable for industrial use.

- * Requires a municipality to declare a TID to be a blighted district, a rehabilitation or conservation district, an industrial district or a mixed-use district. No such declaration is required under current law.

- * Requires a Joint Review Board (JRB) to make a positive assertion that the development in a TID would not occur without TIF. This board, consisting of representatives from the municipality, county, school district and vocational college district overlying the TID and a public member, is charged under current law with reviewing a TID project plan, but is not required to make the assertion required by this bill.

- * Permits project expenditures for newly-platted residential development only in a mixed-use TID and only if the housing meets one of the following conditions:

- 1) has a density of at least 3 units per acre;
- 2) is located in a conservation subdivision as defined in sec. 66.1027 (1)(a), Wis. Stats. ("a housing development in a rural setting that is characterized by compact lots and common space, and where the natural features of the land are maintained to the greatest extent possible");
- 3) is located in a traditional neighborhood development as in sec. 66.1027 (1)(c), Wis. Stats. ("a compact, mixed-use neighborhood where residential, commercial and civic buildings are within close proximity to each other"). Under current law, project costs for TIDs created after September 30, 1995, may not include expenditures for newly-platted residential development.

- * Makes an exception for environmentally contaminated land to the restriction that no more than 25% of a TID be vacant land.

- * Directs DOR to redetermine the TID base value for a town-created ER TID when it is annexed by a city or village. The bill also requires

the city or village annexing the TID to negotiate payment of outstanding TID costs with the town.

* Prohibits inclusion in a TID of land annexed after January 1, 2004, unless-

- 1) the city or village annexing the property enters into a border agreement with the town from which property is annexed,
- 2) 3 years have elapsed since the annexation, or
- 3) the city or village pays the town for property taxes of annexed land for 5 years.

* Allows a maximum life of 20 years for an industrial or mixed-use TID and 27 years for a blighted or rehabilitation TID. In addition, the bill allows the life of an industrial or mixed-use TID to be extended for up to 5 more years with the approval of the JRB. Currently, maximum life is 27 years for TIDs created prior to 1996 and 23 years for TIDs created after 1995.

* Expands the period in which expenditures can be made from 7 years under current law (for TIDs created after 1995) to 15 years for industrial and mixed-use TIDs and 22 years for blight and rehabilitation TIDs.

* Allows a municipality to amend a TID to add or subtract territory up to 4 times. Currently, a TID can be amended once to add territory during the first 7 years after its creation.

* Allows pooling of TIF increments from one TID to another, subject to JRB approval, if the recipient TID-

- 1) has project costs for the creation or rehabilitation of low-cost housing or environmental remediation, or
- 2) is created upon a finding that not less than 50% of its area is blighted or in need of rehabilitation.

* Prohibits cash grants as TIF project costs unless the grant recipient has signed a developer's agreement with the city or village; currently cash grants are eligible project costs. The notice of public hearing on a TID plan must indicate that project costs will be used for cash grants when that is the case.

* Permits DOR to determine substantial compliance with many TIF procedural requirements; current law does not permit such flexibility.

* Requires a municipality to report to DOR on total expenditures, project costs and tax increments of a terminated TID.

* Allows a JRB to be a standing board rather than a board created to review a particular district, requires representatives to the board to include high-level officials or their designees, and allows shared representation in the case of K-8 and union high school districts. It also requires the JRB to notify special districts of any meetings.

Most of the provisions of the bill take effect on October 1, 2004.